

Utah Counties Indemnity Pool Internal Accounting Controls

SECTION I. Effective Date and Frequency of Review.

- A. The Board originally adopted the Internal Accounting Controls Policy on August 17, 2017.
- B. These policies and procedures will be reviewed annually and revised as needed by the staff, reviewed by the UCIP Audit Committee and approved by the UCIP Board of Directors.

SECTION II. Purpose.

- A. The purpose of these policies and procedures is to describe all accounting procedures currently in use at the Utah Counties Indemnity Pool (UCIP) and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; and finances are managed with accuracy, efficiency, and transparency.

SECTION III. Authority.

- A. All UCIP staff and Board of Directors, with a role in the management of fiscal and accounting operations, are expected to comply with these policies and procedures.

SECTION IV. Applicability and Scope.

- A. These policies and procedures apply to all financial transactions and financial reporting conducted in the scope of business of UCIP.

SECTION V. Definitions

- A. “Board” means the UCIP Board of Directors.
- B. "FDIC" means Federal Deposit Insurance Corporation.
- C. “GRAMA” means the Government Records Access and Management Act.
- D. "I-9 form" means the U.S. Citizenship and Immigration Services Department of Homeland Security Employment Eligibility Verification.
- E. “UCIP” means the Utah Counties Indemnity Pool.
- F. "Unclaimed Property" means an abandoned or lost check.
- G. “W-4” means the Internal Revenue Service Employee Withholding Allowance Certificate.

SECTION VI. Policy Statements

A. Division of Fiscal and Accounting Responsibilities

1. **Board of Directors**

- a. Reviews and approves the annual budget.
- b. Reviews the annual and periodic financial statements and information.
- c. Reviews the Chief Executive Officer's performance annually and establishes the salary.
- d. Appoints three members of the Board to be authorized signers on the bank accounts.
- e. Appoints four members of the Board to serve as the Audit Committee.
- f. Appoints a Budget Officer, a Chief Administrative Officer, a Clerk, a Deputy Treasurer, a Purchasing Agent and a Records Officer.
- g. Reviews and approves all vendor contracts.
- h. Reviews and approves all expenditures and credit card transactions.
- i. Reviews and advises staff on internal controls and accounting policies and procedures.
- j. Reviews and approves the annual independent audit of financial statements.
- k. Reviews and approves policies and procedures including but not limited to: Board Compensation, Board Training, Dividend, Electronic Meeting, GRAMA, Internal Accounting Controls, Investment, Minutes Recordings and Records, Net Asset Management, Personnel, Purchasing, Reimbursement.

2. **Audit Committee**

- a. Reviews with the independent auditor the *Audit Plan* prior to the examination of UCIP's financial statements and adhere to the responsibilities and role of the Committee during the audit.
- b. Reviews the professional standards requirements with the independent auditor upon the completion and issuance of the draft audit.
- c. Reviews the draft audit with the Board of Directors for compliance and conformity.
- d. Reviews audit findings and management's responses with the Board of Directors.

- e. Maintains and adheres to the responsibilities outlined in the UCIP Investment Policy.
- f. Designs and implements programs and controls to prevent and detect fraud.

3. Chief Executive Officer

- a. Is the Board appointed Chief Administrative Officer.
- b. Is the Board appointed Purchasing Agent.
- c. Is the Board appointed Deputy Treasurer.
- d. Reviews and approves all financial reports including cash flow projections.
- e. Sees that an appropriate budget is developed annually.
- f. Reviews and approves all expenditures.
- g. Approves inter-account bank transfers.
- h. Reviews completed monthly bank reconciliations.
- i. Makes bank deposits.
- j. Reviews and approves all contracts and presents them to the Board of Directors for ratification.
- k. Adheres to the responsibilities outlined in the UCIP Investment Policy.
- l. Oversees the adherence to all internal controls.

4. Chief Financial Officer

- a. Is the Board appointed Budget Officer.
- b. Is the Board appointed Clerk.
- c. Is the Board appointed Records Officer.
- d. Assists Chief Executive Officer with the development of annual budget.
- e. Monitors budget.
- f. Reviews and manages cash flow.
- g. Manages the petty cash fund.
- h. Reviews and processes payroll and is responsible for all personnel files.

- i. Overall responsibility for data entry into accounting system and integrity of accounting system data.
- j. Reviews all incoming invoices and prepares all outgoing invoices.
- k. Approves and processes all expenditures.
- l. Monitors and manages all expenses to ensure most effective use of assets.
- m. Reviews and approves all reimbursements requests.
- n. Processes all inter-account bank transfers.
- o. Oversees expense allocations including credit card transactions.
- p. Enters accounts receivable for deposit.
- q. Prepares all financial reports.
- r. Reconciles bank statements and investments financials for approval by the Chief Executive Officer.
- s. Adheres to the responsibilities outlined in the UCIP Investment Policy.
- t. Monitors and makes recommendations for asset retirement and replacement.
- u. Reports budget, investments and financial statements to the Utah State Auditor.
- v. Reports revenue and expense quarterly to the Utah Transparency website using the Uniform Chart of Accounts for Local Governments required by the Utah State Auditor's Office.
- w. Reports compensation annually to the Utah Transparency website.
- x. Reports unclaimed property to the Utah State Treasurer Unclaimed Property Division, pursuant to U.C.A 67-4a, for unclaimed property valued at \$50 or more.
- y. Reviews, revises, and maintains internal accounting controls and procedures.

5. Operations Specialist

- a. Receives, opens and date stamps all incoming mail.
- b. Logs in all received checks and stamps for deposit only to the operating account.

- c. Enters all claim expenditures into the accounting system.
- d. Maintains all W-9 IRS Taxpayer Identification Number and Certification forms to verify all payees.

B. Chart of Accounts and General Ledger

- 1. UCIP has adopted the uniform chart of accounts for local governments developed by the Utah State Auditor to collect financial information that can be analyzed and compared across entities. UCIP's chart of accounts is specific to its operational needs and the needs of its financial statements. UCIP reports as a single enterprise fund. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. The Chief Financial Officer is responsible for maintaining the chart of accounts and revising as necessary.
- 2. The general ledger is automated and maintained using UCIP's accounting system. All input and balancing is the responsibility of the Chief Financial Officer with final approval by the Chief Executive Officer.
- 3. The Chief Executive Officer reviews the general ledger on a periodic basis for any unusual transactions.

C. Cash Receipts

- 1. Cash receipts generally arise from member contributions, subrogation, salvage, training registrations and partner sponsorships.
- 2. The principal steps in the cash receipts process are:
 - a. The Operations Specialist receives incoming mail, opens, date stamps, and distributes the mail.
 - b. The Operations Specialist enters all checks into a log and stamps all checks "for deposit only,".
 - c. The Operations Specialist matches the checks to the invoices and scans a copy of the checks.
 - d. The Operations Specialist delivers the checks to the Chief Executive Officer with a copy of the check to the Chief Financial Officer.
 - e. In a timely manner, the Chief Financial Officer enters the receivable into the accounting system and generates a deposit slip for the Chief Executive Officer to print. A scanned image of the check(s) is electronically attached to the deposit in the accounting system.
 - f. The Chief Executive Officer prints the deposit slip and verifies that the amount of the check and the amount listed on the deposit slip match. Once

the amounts are verified, the Chief Executive Officer takes the deposit to UCIP's financial institution and returns the deposit receipt and deposit slip detail to the Chief Financial Officer to attach to the check copy(ies).

- g. All cash received will be counted, verified, and signed off by the Chief Financial Officer and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited, ideally within 24 business hours.

D. Inter-Account Bank Transfers

The Chief Financial Officer monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Chief Financial Officer recommends to the Chief Executive Officer when a transfer should be made to maximize the potential for earning interest. The Chief Financial Officer is directed by the Chief Executive Officer when to make a transfer and in what amount. A copy of the transfer is given to the Chief Executive Officer to sign and the Secretary/Treasurer of the Board to ratify.

E. Cash Disbursements and Expense Allocations

1. Cash disbursements are generally made for:
 - a. Payments to vendors for goods and services.
 - b. Payments to attorneys for defense of claims or gross proceeds.
 - c. Payments to claimants or members.
 - d. License fees and dues.
 - e. Staff training and development.
 - f. Memberships and subscriptions.
 - g. Risk Management training for members.
 - h. Employee reimbursements.
 - i. Board mileage.
 - j. Marketing/promotional materials
2. Disbursements for claims are entered into UCIP's accounting system by the Operations Specialist. Disbursements for accounts payable are entered into UCIP's accounting system by the Chief Financial Officer. All disbursements are processed weekly via electronic Automated Clearing House (ACH) or bill pay through UCIP's financial institution by the Chief Financial Officer. A secondary approval for ACH disbursements are made by the Chief Executive Officer through the

financial institution. Copies of all disbursements and supporting documentation/invoices are provided to the Chief Executive Officer to approve that the amounts entered and the supporting documentation/invoices match. All documentation is also provided to the Secretary-Treasurer of the Board to approve. All disbursements are provided to the Board to ratify.

3. Requests for cash disbursements are submitted to the Chief Financial Officer in the following ways:
 - a. Original invoice.
 - b. Claim documentation.
 - c. Employee expense report or reimbursement request.
 - d. Board mileage/expense reimbursement request.
4. Every employee and Board Member expense report or reimbursement request must be documented on the approved form with receipts attached. Employees follow the Reimbursement Policy approved by the Board for lodging, meals and incidentals, mileage and other expenditures.
5. The Chief Financial Officer reviews all requests for payment and:
 - a. Verifies expenditure and amount.
 - b. Approves for payment if in accordance with budget.
 - c. Provides or verifies appropriate allocation information.
 - d. Provides date of payment taking into account cash flow projections.
 - e. Processes the reimbursement in accordance with the cash disbursements controls.
 - f. Files all backup documentation in the appropriate file.

F. Credit Card Policy and Charges

1. All staff members who are authorized to carry an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which UCIP receives funds.
2. The receipts for all credit card charges will be given to the Chief Financial Officer within two weeks of the purchase along with proper documentation. The Chief

Financial Officer will verify all credit card charges with the monthly statements and will post the expenses to the proper uniform account and process the payment to the financial institution. The monthly statement and supporting documentation and receipts will be submitted to the Secretary-Treasurer of the Board for approval and presentation to the Board for ratification.

G. Accruals

1. To ensure a timely close of the General Ledger, UCIP may book accrual entries. Some accruals will be made as recurring entries.
2. Accruals to consider:
 - a. Monthly interest earned on investments.
 - b. Recurring expenses, including employee vacation and sick leave accrual, prepaid expenses, depreciation, etc.

H. Bank Account Reconciliations.

1. The bank statements are provided electronically from UCIP's financial institution to the Chief Financial Officer.
2. The Chief Financial Officer timely reconciles the bank statements as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared disbursements with the accounting record including amount, payee, and sequential check numbers.
3. The Chief Financial Officer will investigate any checks that are outstanding over six months.
4. The Chief Financial Officer will attach the completed bank reconciliation to the applicable bank statement, along with all documentation including the account transaction report and give it to the Chief Executive Officer to review, approve, date and sign.

I. Petty Cash

1. Petty cash is maintained by UCIP. The cash is to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned in the cash disbursement section.
 - a. Petty cash will not exceed \$100 and is kept in a locked file at all times.
 - b. The Chief Financial Officer oversees petty cash.
 - c. Receipts for items purchased with petty cash are kept with the petty cash.
 - d. An accounting of all allocations is kept with the petty cash.

- e. The Chief Financial Officer and the Chief Executive Officer together will periodically count the petty cash.
- f. No checks will be cashed by the petty cash fund.

J. Property and Equipment.

1. Property and equipment includes items such as:
 - a. Office furniture and equipment.
 - b. Computer hardware.
 - c. Computer software.
 - d. Land
2. All items which have a unit cost greater than \$5,000 will be capitalized. Items purchased with a value or cost less than \$5,000 will be expensed in the period purchased.
3. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method of accounting. Useful lives vary from three to five years. Depreciation is recorded quarterly.
4. Land is exempt from depreciation.
5. A Fixed Asset Log is maintained by the Operations Specialist including date of purchase, asset description, value and identification number. Annually, a physical inspection and inventory will be taken of all fixed assets.
 - a. The Fixed Asset Log will be reviewed by the Chief Financial Officer and reconciled to the general ledger balances.
6. Disposition of Property
 - a. Disposition of UCIP property items may be through the Public Surplus online auction. If property is unsuccessfully auctioned, items may be offered for sale to the counties of Utah and to the public through media methods.
 - b. The value of property may be determined by using the estimated useful life of the item.
 - c. Sales tax will not be included in the sale of property for exempt organizations.
 - d. Sales tax will be included in the sale of property to the public.

K. Personnel Records

1. All personnel files include but are not limited to: an application and/or résumé date of employment, position and pay rate, authorization of payroll deductions, W-4, termination data (where applicable), a signed acknowledgement of receipt of the Personnel Policy, an emergency contact form, and other forms as deemed appropriate by the Chief Financial Officer.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Chief Financial Officer.
3. The completed I-9 forms will be kept in a secure location separate from the personnel files.
4. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

L. Payroll Processing

1. Timesheets are to be prepared by staff on the approved form and submitted on the 15th and the last day of the month.
2. Timesheets are to be kept on a daily basis and prepared electronically.
3. The Chief Financial Officer will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
4. Payroll is processed electronically and deposited directly into each employee's personal account on the 15th and the last day of each month. If the 15th or the last day of the month falls on a weekend or holiday, payroll will be processed the Friday before the weekend or the day before the holiday.
5. Employees receive a verification stub when payroll is processed.
6. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
7. The Chief Executive Officer will review payroll expenditures and allocations monthly.
8. All federal and state payroll expenses and reports will be prepared and filed appropriately.
9. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.

M. End of Month and Fiscal Year-End Close.

1. The Secretary/Treasurer of the Board will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.

2. At the end of each quarter and fiscal year end, the Chief Executive Officer will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, investments, retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final quarterly and fiscal year-end financial statements are run, reviewed, and approved by the Chief Financial Officer and the Chief Executive Officer, no more entries or adjustments will be made into that month or year's ledgers.
5. All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

N. Financial Reports

1. The Chief Financial Officer will prepare the quarterly and annual financial reports for distribution to the Board. The reports will include: balance sheet, statement of income and expenses and cash flow projection.
2. Quarterly and annual financial reports will be submitted to the Audit Committee and Board for review and approval.

O. Fiscal Policy Statements

1. All cash accounts owned by UCIP will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. Employee or public personal checks will not be cashed through the petty cash fund.
3. No salary advances will be made under any circumstances.
4. Travel cash advances must be pre-approved by the Chief Executive Officer.
5. Reimbursements will be paid upon complete expense reporting and approval using the official UCIP form.
6. The Chief Executive Officer, the Claims Manager, the Chief Financial Officer and three designated Board members are the signatories on UCIP's bank accounts.
7. Bank statements will be reconciled monthly.

8. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
9. Accounting and personnel records will be kept in locked file cabinets in the Chief Financial Officer's office and only the Chief Executive Officer will have access to the keys.

SECTION VII. Revision History.

- A. Original Policy Adoption: August 17, 2017
- B. Revised: February 15, 2018
- C. Revised: August 22, 2018

SECTION VIII. Appendices.

- A. There are no appendices to this policy.